

QUALIFIED SCHOLARSHIP FUNDING CORPORATIONS BACKGROUND

Pursuant to Chapter 318, Statutes of 2005 (Assembly Bill 961 - Liu), the California Educational Facilities Authority Act (the “Act”) was amended to add Education Code Section 94103. Effective January 1, 2006, the Act requires not-for-profit corporations to obtain approval from CEFA before applying for an allocation of a portion of the state ceiling to issue qualified scholarship funding bonds¹ through the California Debt Limit Allocation Committee (CDLAC) for the state’s Student Loan Program.

On April 4, 2006, proposed regulations were filed with the Office of Administrative Law.

- The proposed regulations specify the criteria that the Authority must consider when determining whether a not-for-profit corporation is eligible to apply to CDLAC for an allocation of the state’s Student Loan Program as described above.
- These regulations were developed in response to legislation that became effective January 1, 2006 restoring the approval process, which had previously been in place and performed by the California Student Loan Authority, before it merged with CEFA in the mid-1990s.
- This is a one-time approval process, meaning that once the Authority approves an entity, it is not necessary for the same organization to return to CEFA for approval in future years.

¹ A “qualified scholarship funding bond” is a bond issued by a corporation that is; (1) a not-for-profit corporation established and operated exclusively for the purpose of acquiring student loans incurred under the Higher Education Act of 1965, and (2) organized at the request of a state or political subdivision of the state.